

Message Text

UNCLASSIFIED

PAGE 01 PARIS 19803 01 OF 05 071950Z
ACTION EUR-12

INFO OCT-01 EA-09 IO-14 ISO-00 AID-05 CIAE-00 COME-00
EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
PA-02 PRS-01 AGRE-00 STR-04 ITC-01 ABF-01 /100 W
-----091068 072027Z /73

R 071931Z JUL 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 5335
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 01 OF 05 PARIS 19803

USMTN; PARIS PASS OECD

USEEC

PASS TREASURY, FEDERAL RESERVE, COMMERCE, LABOR

E. O. 11652: N/A
TAGS: EALR, EFIN, EGEN, FR
SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 18427

1. SUMMARY: AT THE MID-YEAR POINT THE FRENCH ECONOMY
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 19803 01 OF 05 071950Z

IS STUMBLING ALONG SLIGHTLY SLOWER THAN IT BEGAN. PM
BARRE IS STICKING FIRMLY TO HIS WORD NOT TO STIMULATE
THE ECONOMY; HIS MOST RECENT STEP WAS TO INCREASE JUST
MINIMALLY THE MINIMUM WAGE AND FAMILY ALLOWANCES. AT
THE SAME TIME HE IS TAKING NUMEROUS STOP-GAP MEASURES
TO TRY TO LIMIT THE RATE OF INFLATION.

2. FRENCH INDUSTRIALISTS REPORT THAT FOREIGN
DEMAND HAS SHOWN SLIGHT WEAKENING

ACCORDING TO THE INSEE MONTHLY SURVEY OF INDUSTRIALISTS, FOREIGN DEMAND, WHICH DURING RECENT MONTHS HAS HELPED TO SUSTAIN FRENCH INDUSTRIAL PRODUCTION WHILE DOMESTIC DEMAND HAS WEAKENED, WAS NOT AS STRONG AT THE BEGINNING OF JUNE AS IT HAD BEEN DURING THE TWO PREVIOUS MONTHS. FOREIGN BACK-ORDERS WERE CONSIDERED TO BE QUITE LOW; ALTHOUGH THERE HAD BEEN SOME IMPROVEMENT FOR FINISHED PRODUCTS, THERE WAS A FALL FOR INTERMEDIATE GOODS. AS IN MAY, INDUSTRIALISTS IN GENERAL EXPECTED THEIR PRODUCTION TO DECLINE DURING THE NEXT FEW MONTHS.

ACCORDING TO THE SURVEY, CAPITAL GOODS WAS THE ONLY SECTOR TO SHOW EVEN A SLIGHT INCREASE IN PRODUCTION, PARTICULARLY IN ELECTRIC CONSTRUCTION AND PRECISION MACHINERY. BOTH DOMESTIC AND FOREIGN BACK-ORDERS IMPROVED IN THIS SECTOR. HOWEVER, INVENTORIES WERE CONSIDERED TO BE EXCESSIVE. INDUSTRIALISTS EXPECTED PRODUCTION TO CONTINUE TO GROW AT THE SAME RATE, WITH THE EXCEPTION OF A FALL IN ELECTRIC CONSTRUCTION.

IN THE CONSUMER GOODS SECTOR, PRODUCTION WAS STABLE IN THE AUTOMOBILE INDUSTRY BUT DECLINED IN HOUSEHOLD APPLIANCES AND TEXTILES. IN THE CLOTHING AND LEATHER-
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 19803 01 OF 05 071950Z

SHOES INDUSTRIES, IT GREW AT A MODERATE RATE. THE REDUCTION SINCE APRIL IN BACK-ORDERS BECAME EVEN STRONGER; THEY WERE CONSIDERED TO BE MUCH LOWER THAN NORMAL IN EVERY INDUSTRY EXCEPT CLOTHING. THE SLIGHT IMPROVEMENT IN FOREIGN ORDERS WAS DUE TO THE AUTOMOBILE INDUSTRY. IN THIS SECTOR INVENTORIES WERE ALSO CONSIDERED TO BE EXCESSIVE. INDUSTRIALISTS EXPECT A FALL IN PRODUCTION IN HOUSEHOLD APPLIANCES, AUTOMOBILES, TEXTILES AND LEATHER-SHOES; ONLY IN CLOTHING SHOULD ACTIVITY STABILIZE.

ACTIVITY SLOWED DOWN IN THE CHEMICAL-RUBBER AND THE GLASS INDUSTRIES BUT BEGAN TO INCREASE IN PAPER-CARDBOARD WHILE THE INCREASE IN STEEL PRODUCTION CONTINUED. IN THE OTHER INDUSTRIES OF THE INTER-MEDIATE GOODS SECTOR, PRODUCTION DECLINED. BOTH DOMESTIC AND FOREIGN BACK ORDERS WERE VERY LOW. STOCKS OF FINISHED PRODUCTS REMAINED NEAR NORMAL. INDUSTRIALISTS EXPECTED A FALL IN PRODUCTION DURING THE COMING MONTHS.

3. ALTHOUGH INDUSTRIALISTS EXPECT PROFITS TO

DECLINE DURING SECOND SEMESTER, A DECREASING
PERCENTAGE PLAN TO CUT BACK ON INVESTMENT

ACCORDING TO AN INSEE SURVEY CONDUCTED BETWEEN MAY 9--

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 19803 02 OF 05 071954Z
ACTION EUR-12

INFO OCT-01 EA-09 IO-14 ISO-00 AID-05 CIAE-00 COME-00
EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
PA-02 PRS-01 AGRE-00 STR-04 ITC-01 ABF-01 /100 W
-----091153 072030Z /73

R 071931Z JUL 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 5336
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 02 OF 05 PARIS 19803

USMTN PARIS PASS

JUNE 3, THE FINANCIAL SITUATION OF INDUSTRIAL
COMPANIES HAS ONLY SLIGHTLY IMPROVED SINCE THE
END OF 1976. ALTHOUGH THERE WAS A SLIGHT
INCREASE IN PROFITS DURING THE FIRST HALF, THEY
STILL REMAINED AT A LOW LEVEL. THERE WAS A SMALL
DETERIORATION IN OVERALL LIQUIDITY, BUT IT REMAINED
NEAR THE LONG-RUN AVERAGE. THE DISTRIBUTION OF
CREDITS CONTINUED TO BE FAIRLY CONSTRAINING FOR
COMPANIES. INDUSTRIALISTS EXPECTED PROFITS TO
DECREASE SLIGHTLY DURING THE SECOND SEMESTER.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 19803 02 OF 05 071954Z

THE INTERMEDIATE GOODS SECTOR, IN PARTICULAR THE WOOD-FURNITURE AND METAL PRODUCTION AND EXTRACTION INDUSTRIES, HAS BEEN MOST AFFECTED BY THE LIQUIDITY PROBLEM, WHEREAS THE CAPITAL GOODS SECTOR HAS BEEN ONLY LIGHTLY AFFECTED. THE SITUATION HAS RECENTLY DETERIORATED IN THE CONSUMER GOODS SECTOR, ESPECIALLY THE TEXTILE AND CLOTHING INDUSTRIES. INDUSTRIALISTS, ESPECIALLY THOSE IN THE CAPITAL GOODS SECTOR, CONTINUE TO CITE THE INCREASE IN OPERATING EXPENSES AS CREATING THE GREATEST DIFFICULTY FOR THEIR LIQUIDITY SITUATION, BUT ITS RELATIVE IMPORTANCE DIMINISHED. FOR PRODUCERS OF INTERMEDIATE GOODS, THE INADEQUACY OF THEIR SELLING PRICE WAS THEIR PRINCIPAL PROBLEM.

OVERALL PROFITS INCREASED SLIGHTLY, PARTICULARLY IN THE CAPITAL GOODS SECTOR. THE RELATIVELY SATISFACTORY RESULTS FOR THE AUTOMOBILE INDUSTRY CONTRASTED WITH THE WEAK RESULTS OF OTHER INDUSTRIES IN THE CONSUMER GOODS SECTOR, ESPECIALLY THE TEXTILE INDUSTRY. PROFITS WERE STILL QUITE INSUFFICIENT FOR THE INTERMEDIATE GOODS SECTOR, PARTICULARLY METAL PRODUCTION, PETROLEUM AND PAPER-CARDBOARD.

ALTHOUGH ONLY 30 PERCENT OF INDUSTRIALISTS HAD ASKED FOR AN EXTENSION OF THEIR CREDITS, A RELATIVELY LARGE PERCENTAGE OF THESE EXPERIENCED DIFFICULTY. BOTH SHORT AND LONGER TERM BORROWING WAS INCREASINGLY BEING USED BY INDUSTRIALISTS TO ALLEVIATE THEIR LIQUIDITY SHORTAGE. THE PERCENTAGE OF INDUSTRIALISTS WHO EXPECTED TO REDUCE THEIR INVESTMENT IN THE SECOND SEMESTER IN ORDER TO IMPROVE THEIR FINANCIAL SITUATION WAS LOWER THAN AT THE BEGINNING OF THE YEAR, EXCEPT IN CERTAIN SECTORS PRODUCING INTERMEDIATE GOODS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 19803 02 OF 05 071954Z

THE NUMBER OF INDUSTRIALISTS WHO PLANNED TO BORROW BOTH SHORT AND LONGER TERM ALSO DECLINED.

4. SURVEY NOTES FURTHER TREND BY HOUSEHOLDS AWAY FROM CONSUMPTION

INSEE REPORTS IN ITS LATEST SURVEY ON THE ATTITUDES AND PURCHASING INTENTIONS OF HOUSEHOLDS THAT, AFTER

THE IMPROVEMENT OBSERVED IN JANUARY, HOUSEHOLDS PERCEIVED IN MAY A DETERIORATION IN THEIR FINANCIAL RESOURCES, IN EMPLOYMENT, AND IN THE EVOLUTION OF PRICES. HOWEVER, THIS CHANGE IN OPINION WAS NOT PARTICULARLY LARGE; THE MAY OPINION INDICATORS WERE BY NO MEANS AS LOW AS THOSE OBSERVED IN 1974 AND 1975. THIS CHANGE IN OPINION WAS REFLECTED IN HOUSEHOLDS' INCREASED ORIENTATION TOWARD SAVING VERSUS CONSUMPTION. IN ALL THE QUESTIONS REGARDING CONSUMPTION, HOUSEHOLDS WERE MUCH LESS DISPOSED TO UNDERTAKE ANY IMPORTANT PURCHASES, ESPECIALLY IN COMPARISON TO MAY A YEAR AGO.

5. MINIMUM WAGE INCREASED BY 2.57 PERCENT

THE GOF INCREASED THE MINIMUM WAGE (S.M.I.C.) BY 2.57 PERCENT FROM JULY 1, BRINGING THE TOTAL INCREASE FROM THE BEGINNING OF THE YEAR TO 7.13 PERCENT. THE INCREASE, WHICH WAS THE LEGAL MINIMUM WITH NO FRILLS ATTACHED, TOOK INTO ACCOUNT THE 0.9 PERCENT RATE OF INFLATION IN MAY PLUS THE TRADITIONAL INCREASE GIVEN EACH JULY EQUAL TO AT LEAST ONE HALF OF THE INCREASE IN PURCHASING POWER DURING THE YEAR (3.40 PERCENT DURING THE PAST YEAR). THIS INCREASE FELL BELOW THE 2.60--2.75 PERCENT CONSIDERED BY ECONOMIC JOURNALISTS TO BE A CONSERVATIVE PREDICTION.

6. FAMILY ALLOWANCES INCREASED BY 10.6 PERCENT

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 PARIS 19803 02 OF 05 071954Z

THE GOF HAS INCREASED FAMILY ALLOWANCES BY 10.6

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 19803 03 OF 05 071953Z

ACTION EUR-12

INFO OCT-01 EA-09 IO-14 ISO-00 AID-05 CIAE-00 COME-00
EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00

XMB-04 OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01

PA-02 PRS-01 AGRE-00 STR-04 ITC-01 ABF-01 /100 W

-----091088 072031Z /73

R 071931Z JUL 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5337

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION GENEVA

AMCONSUL BORDEAUX

AMCONSUL LYON

AMCONSUL MARSEILLE

AMCONSUL NICE

AMCONSUL STRASBOURG

UNCLAS SECTION 03 OF 05 PARIS 19803

USMTN PARIS PASS

PERCENT FOR THIS YEAR, WHICH WILL RESULT IN A VERY SMALL INCREASE IN FAMILY PURCHASING POWER. THE INCREASE WENT INTO EFFECT ON JULY 1 RATHER THAN AUGUST 1 AS IN PRECEDING YEARS. THE GOF ALSO ANNOUNCED THAT A SECOND INCREASE IN FAMILY ALLOWANCES WILL OCCUR ON JANUARY 1, WHEREAS FORMERLY THERE WAS ONLY ONE INCREASE PER YEAR.

7. FURTHER SELECTIVE MEASURES TO LIMIT PRICE INCREASES

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 19803 03 OF 05 071953Z

IN A FURTHER EFFORT TO REDUCE THE RATE OF INFLATION, THE GOF HAS ANNOUNCED NUMEROUS SMALL MEASURES TO REDUCE THE STRUCTURAL CAUSES OF INFLATION. THIS CONGLOMERATION, WHICH HAS ALL THE APPEARANCES OF A SHOT-GUN APPROACH VERY LIMITED IN EFFECT, INCLUDES SUCH MEASURES AS ENCOURAGING FARMER MARKETS, INCREASING CONSUMER INFORMATION, FACILITATING LABOR MOBILITY THROUGH AN EXTENSION BUT NOT AN INCREASE OF FINANCIAL AIDS, AND DISCOURAGING THE WASTAGE OF PRIMARY MATERIALS.

THE GOF HAS ALSO ANNOUNCED A FREEZE ON THE PRICES OF COFFEE, COCOA AND CERTAIN TEXTILES. THE PRICES OF COFFEE AND COCOA WERE FROZEN BECAUSE THE GOF FEARS THAT THE DOMESTIC PRICES WILL NOT REFLECT THE RECENT

WEAKENING OF THE WORLD MARKET PRICES FOR THESE PRODUCTS. WITH REGARD TO TEXTILES, THE FREEZE WILL APPLY ONLY TO THOSE ARTICLES FOR WHICH THE GOF HAS RECENTLY IMPOSED IMPORT LIMITS, IN ORDER TO PREVENT ANY UNDUE PROFIT-TAKING. THIS IS INTENDED TO DISCOURAGE OTHER INDUSTRIES FROM REQUESTING IMPORT RESTRICTIONS.

COMMENT:THE EFFECTIVENESS OF THESE PRICE CONTROLS IS CERTAINLY OPEN TO QUESTION AS IS SHOWN BY THE MAY PRICE STATISTICS FOR MEAT. DURING THIS MONTH THE PRICES OF 65 PERCENT OF BEEF PRODUCTS WERE FROZEN, INCLUDING A TOTAL FREEZE ON VEAL. HOWEVER, THE OFFICIAL STATISTICS INDICATE THAT THE PRICE OF VEAL INCREASED BY 1.7 PERCENT IN MAY WHILE THE PRICES OF ALL MEAT PRODUCTS INCREASED BY 1.1 PERCENT COMPARED TO 0.8 PERCENT IN THE PREVIOUS MONTH WHEN THERE WAS NO FREEZE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 19803 03 OF 05 071953Z

8. GOF TO LEND FF 1.6 BILLION TO PULP AND PAPER INDUSTRY

THE FOUR YEAR PROGRAM TO RESTRUCTURE THE PULP AND PAPER INDUSTRY (SEE PARIS 19431) WILL ENTAIL AN INVESTMENT OF APPROXIMATELY FF 4 BILLION. THE GOF'S SHARE WILL BE FF 1.6 BILLION WHICH WILL BE LENT THROUGH THE ECONOMIC AND SOCIAL DEVELOPMENT FUND. THE REMAINDER WILL BE FINANCED THROUGH PRIVATE BANKS AND COMPANIES, BUT THE EXACT DETAILS WILL NOT BE KNOWN UNTIL THE PROGRAM IS FINALIZED ON OCTOBER 1.

9. 11.5 PERCENT INCREASE IN 1978 BUDGETARY EXPENSES

THE DELEGATE MINISTER OF FINANCE, M. ROBERT BOULIN, INDICATED THAT THE 1978 GOF BUDGET SHOULD PROVIDE FOR EXPENSES IN THE ORDER OF FF 395 BILLION, AN INCREASE OF 11.5 PERCENT ABOVE THE 1977 EXPENSES VOTED THROUGH MARCH OF THIS YEAR.

10. NINE PERCENT OF FRENCH HOUSEHOLDS HOLD ALMOST HALF OF TOTAL PRIVATE WEALTH

A DOCUMENT RELEASED BY THE CAISSE DES DEPOTS (DEPOSIT BANK) MAY ADD FUEL TO THE FIRE CREATED BY THE SAWYER REPORT, PUBLISHED LAST YEAR BY OECD, WHICH CONCLUDED THAT THE DISTRIBUTION OF WEALTH IN FRANCE WAS THE MOST UNEQUAL OF ALL THE OECD COUNTRIES. ACCORDING TO THE REPORT OF

THE CAISSE DES DEPOTS, 9 PERCENT OF FRENCH
HOUSEHOLDS HOLD ALMOST HALF OF TOTAL PRIVATE
WEALTH WHILE A THIRD OF FRENCH HOUSEHOLDS HOLD
ONLY 0.5 PERCENT. THE DISTRIBUTION OF INCOME IS
NOT AS UNEQUAL: THE TOP QUARTER OF HOUSEHOLDS
WITH THE HIGHEST INCOMES RECEIVE 60 PERCENT OF
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 PARIS 19803 03 OF 05 071953Z

TOTAL INCOME WHILE THE TOP QUARTER WITH THE
HIGHEST WEALTH POSSESS 75 PERCENT OF TOTAL WEALTH.

11. VOLUME OF BOTH IMPORTS AND EXPORTS DECLINES IN APRIL

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 19803 04 OF 05 072003Z
ACTION EUR-12

INFO OCT-01 EA-09 IO-14 ISO-00 AID-05 CIAE-00 COME-00
EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
PA-02 PRS-01 AGRE-00 STR-04 ITC-01 ABF-01 /100 W
-----091291 072032Z /73

R 071931Z JUL 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 5338
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 04 OF 05 PARIS 19803

USMTN PARIS PASS

THE VOLUME OF FRENCH IMPORTS FELL AGAIN IN APRIL, BY 5.5 PERCENT FROM THE PRECEDING MONTH. EXPORT VOLUME ALSO FELL BY 2.1 PERCENT. THE 0.2 PERCENT INCREASE IN IMPORT UNIT VALUES WAS THE LOWEST MONTHLY INCREASE IN THE PAST YEAR. EXPORT UNIT VALUES FELL BY 0.6 PERCENT.

12. MONEY SUPPLY REGISTERS MUCH LOWER RATE OF GROWTH IN MARCH

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 19803 04 OF 05 072003Z

IN CONTRAST TO RATES OF GROWTH OF 1.6 PERCENT IN JANUARY AND 1.1 PERCENT IN FEBRUARY, THE SEASONALLY ADJUSTED MONEY SUPPLY (M2) INCREASED BY ONLY 0.2 PERCENT IN MARCH. M2 INCREASED FROM FF 879.2 BILLION IN FEBRUARY TO FF 880.6 BILLION IN MARCH. FOR THE 12 MONTH PERIOD ENDING IN MARCH, THE INCREASE WAS 12.3 PERCENT. ON AN UNADJUSTED BASIS, M2 INCREASED BY 1.7 PERCENT TO FF 879.5 BILLION.

SEASONALLY ADJUSTED M1 WAS FF 453.0 BILLION, A DECREASE 0.2 PERCENT FOR THE MONTH. THIS DECREASE WAS DUE PRIMARILY TO SIGHT DEPOSITS. QUASI-MONIES WERE FF 430.5 BILLION, 1.4 PERCENT INCREASE. SAVING BOOK DEPOSITS REMAINED STABLE, BUT THERE WAS A SHARP GROWTH IN PRIVATE LONG-TERM ACCOUNTS.

THE COUNTERPARTS OF THE MONEY SUPPLY ON AN UNADJUSTED BASIS WERE: NET FOREIGN EXCHANGE RESERVES, FF 43.1 BILLION (0.2 PERCENT DECREASE); CLAIMS ON THE PUBLIC SECTOR, FF 116.7 BILLION (12.6 PERCENT); AND CLAIMS ON THE PRIVATE SECTOR, FF 775.4 BILLION (1.3 PERCENT INCREASE).

13. SHARP DECLINE IN VOLUME OF BOURSE DURING FIRST SEMESTER

REFLECTING THE MALAISE ON THE BOURSE EXCEPT DURING RECENT WEEKS, THE AVERAGE DAILY VOLUME OF BUSINESS FELL FROM FF 254 MILLION DURING THE FIRST SEMESTER OF 1976 TO FF 191 MILLION THIS YEAR. THE TOTAL VOLUME FOR THE FIRST SIX MONTHS WAS FF 23.4 BILLION, COMPARED TO FF 31.6 BILLION LAST YEAR.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 19803 04 OF 05 072003Z

14. MAJOR FLOATING RATE ISSUE ON FRENCH MARKET

ONE OF THE FIRST BORROWINGS WITH A FLOATING RATE ON THE FRENCH FINANCIAL MARKET HAS JUST BEEN ISSUED BY GROUPEMENT DE L'INDUSTRIE SIDERURGIQUE, A MAJOR STEEL GROUP. THIS SEVEN YEAR BORROWING FOR FF 800 MILLION CARRIES A RATE OF INTEREST WHICH IS A HALF POINT ABOVE THE ANNUAL WEIGHTED AVERAGE OF THE ISSUE RATES OF PRIVATE SECTOR BONDS, WITH A 10 PERCENT FLOOR. THIS ISSUE WILL INCREASE THE TOTAL AMOUNT OF BORROWINGS BY THE FRENCH STEEL INDUSTRY TO MORE THAN FF 13 BILLION.

15. ELECTRICITE DE FRANCE IS VERY LARGE BORROWER ON AMERICAN FINANCIAL MARKET

IN A RECENT ARTICLE LE MONDE LAUDED THE "VERY REMARKABLE BREAK-THROUGH" OF ELECTRICITE DE FRANCE IN THE AMERICAN FINANCIAL MARKET. DURING THE PAST THREE YEARS THIS COMPANY HAS RAISED \$1.9 BILLION, MAKING IT THE THIRD LARGEST BORROWER IN THIS MARKET. THE FORMULA WHICH L'ELECTRICITE DE FRANCE USES IS TO ISSUE 5-10 YEAR EURODOLLAR BORROWINGS WITH A FLOATING RATE, WITH THE OPTION OF HAVING ACCESS TO THE AMERICAN COMMERCIAL PAPER MARKET WHERE THE INTEREST RATES ARE LOWER. HOWEVER, IF IT NEEDS TO PAY OFF ITS COMMERCIAL PAPER, IT HAS THE SECURITY OF DRAWING DOWN ITS LONG-TERM BORROWINGS. OTHER LARGE FRENCH BORROWERS ON THE AMERICAN COMMERCIAL PAPER MARKET ARE CAISSE NATIONAL DES TELECOMMUNICATIONS (\$300 MILLION) AND GAZ DE FRANCE (\$100 MILLION).

16. NEW EXTERNAL BORROWINGS

THE FOLLOWING LONG-TERM EXTERNAL FRENCH BORROWINGS WERE NOTED IN THE PRESS DURING THE REPORTING PERIOD:
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 PARIS 19803 04 OF 05 072003Z

- (1) BANQUE NATIONALE DE PARIS, \$50 MILLION, 5 YEARS, 7-5/8 PERCENT INTEREST.
- (2) CREDIT COMMERCIAL DE FRANCE, \$35 MILLION, 6 YEARS,

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 19803 05 OF 05 071956Z
ACTION EUR-12

INFO OCT-01 ISO-00 EA-09 IO-14 AID-05 CIAE-00 COME-00
EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
PA-02 PRS-01 AGRE-00 STR-04 ITC-01 ABF-01 /100 W
-----091145 072033Z /73

R 071931Z JUL 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 5339
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 05 OF 05 PARIS 19803

USMTN PARIS PASS

FLOATING RATE A QUARTER POINT OVER THE SIX MONTH
INTERBANK RATE OR 6-1/2 PERCENT, WHICHEVER IS HIGHER.
(3) COMPANIE FRANCAISE DES PETROLES, DM 100 MILLION,
7 YEARS, 6-1/2 PERCENT INTEREST.
(4) COMPANIE FRANCAISE DES PETROLES, 80 MILLION
SWISS FRANCS, 12 YEARS, 5-1/2 PERCENT INTEREST.
(5) CAISSE CENTRALE DE COOPERATION ECONOMIQUE,
20 MILLION DUTCH GUILDERS, DUE 1983/1992; 55 MILLION
DUTCH GUILDERS DUE 1983/1997.
(6) BANQUE FRANCAISE DU COMMERCE EXTERIEUR,
20 BILLION YEN (FIRST FRENCH BORROWING ON THIS
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 19803 05 OF 05 071956Z

MARKET), 12 YEARS, 7.6 PERCENT INTEREST.

17. NO VACATION FOR THE GOVERNMENT THIS YEAR

AS AN EXPRESSION OF HIS CONCERN FOR THE ECONOMIC
AND UNEMPLOYMENT SITUATION, PRESIDENT
GISCARD D'ESTAING HAS ANNOUNCED THAT THE COUNCIL OF
MINISTERS WILL CONTINUE TO MEET EACH WEEK DURING JULY
AND AUGUST, THE TRADITIONAL PERIOD OF THE MASS FRENCH
VACATION EXODUS.

18. OTHER REPORTS SUBMITTED DURING THE PERIOD

TELEGRAMS

PARIS-

19618 - DOLLAR RECOVERS ON FRENCH EXCHANGE

MARKET, JULY 6, 1977

19311 - WOODWORTH MEETING, JULY 5, 1977

18807 - FRENCH CONSUMER PRICE INDEX

18999 - LINE OF CREDIT TO USSR

18615 - PARIS CLUB MEETING ON ZAIRE

AIRGRAMS

PARIS-

A-254 - FRENCH FOREIGN EXCHANGE HOLDINGS

A-253 - TRADE WITH COMMUNIST AREAS, APRIL 1977

A-252 - ECONOMIC REPORTING: BUREAU OF THE MINT

INTERROGATORY

A-245 - FRENCH FOREIGN EXCHANGE HOLDINGS

HARTMAN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, FINANCIAL TRENDS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PARIS19803
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770241-1193
Format: TEL
From: PARIS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770782/aaaactqz.tel
Line Count: 631
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c659a66f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 PARIS 18427
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 12-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1937156
Secure: OPEN
Status: NATIVE
Subject: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS
TAGS: EALR, EFIN, EGEN, FR, OECD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/c659a66f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009